

# **BUSINESS LAW SECTION**

## **Franchise Law Committee**

### **REPORT OF PENDING FRANCHISE LEGISLATION**

**FRANCHISE LAW COMMITTEE MEETING - JUNE 1, 2000**

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#### **NEW LEGISLATION**

None.

#### **PENDING LEGISLATION**

##### **SB 123**

No activity. Apparently still in committee.

##### **SB 1819**

Under existing California law, a manufacturer may not operate or control a dealership located within 10 miles of an independent dealer except under limited circumstances. One exception is when a manufacturer supports a dealer development program. The California Motor Car Dealers Association introduced SB 1819 to prevent manufacturers from abusing this exception in response to conduct by General Motors which bought up 9 of the 12 GM dealerships in the San Fernando Valley. The 3 remaining independent franchisees claim they are at a competitive disadvantage because the GM dealerships get better allocations and customer leads. The independent franchisees unsuccessfully petitioned the DMV, which found that the law permitted a manufacturer to purchase dealerships for market development, which somehow was shoe-horned into the dealer development exception. The bill would narrow the circumstances under which a manufacturer could operate or control a dealership within 10 miles of an independent franchise dealer and would forbid unfair discrimination in allocation formulas and customer leads. The Alliance of Automobile Manufacturers, and General Motors, oppose the bill. The bill had its second reading in committee on May 17, 2000 and will have a third reading on a date to be scheduled.

##### **AB 2699**

The bill, which would amend the SAMP Act to exclude product distributorships certified by the Attorney General to have a net worth of at least \$10 Million, was approved by the Assembly on May 18, 2000 by a 75-0 vote, and sent to the Senate for committee assignment. Before the Assembly vote, an Assembly committee hearing was held on 5/10/00. A committee report prepared for that hearing is available online. The report offers an interesting perspective on the reason for the amendment: "The sponsor states that because of the technical filing requirements of the SAMP Act, many individuals become 'professional plaintiffs' by becoming distributors, and then file lawsuits against large SAMP companies for technical violations of the law. These lawsuits are typically settled out of court in order to avoid costly litigation, yet the sponsor contends these costs raise the cost of doing business and are passed on to the consumer." AB 2699 was introduced by Assembly Member Dave Cox, and the principal co-author is Assembly Member

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